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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: :
: :
: CASE NO. 05-17923
DELTA AIR LINES, INC., :
et al., :
: :
Debtors. :

Deponent: ROBERT F. HOLSCHER

April 6, 2007

8:58 A.M.

Reported by: Jennifer K. Starner, RPR

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1 Q Since Delta filed for Chapter 11 in New
2 York, has the KCAB attempted to try to relet or lease
3 facilities at the airport to other carriers?

4 A Yeah. We've probably made -- there's --
5 there's an FAA regulation out there, a policy whereby they
6 call it the competition plan. In that competition plan
7 airports that are more or less overserved by one carrier,
8 the airport has to make good faith efforts to go out to get
9 additional carriers to come in and fill that market so
10 there's some competition. We've probably ourselves, our
11 marketing folks, our consultant have probably called on 60
12 carriers within just the past year. Some of them may have
13 been three or four times, but 60 such visits. And I think
14 the future -- if you take a look at the future -- there's a
15 consultant named Boyd who's out of Colorado.

16 Q That's your consultant?

17 A No. This is one that just came out with
18 a national thing looking at airports. And he shows the
19 growth in Cincinnati to be very minor. Out of the top 150
20 airports we came out 27 -- or 127 through the year 2013 as
21 far as growth is concerned. There's just no interest in
22 trying to battle Delta the way they are today. And I think
23 if Delta -- if the hub would go away, we're already the --
24 us and Charlotte are probably the two smallest hubs in this

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1 country. What carriers look for when they come in to hub a
2 city is they want a 50 percent origin and destination number
3 and they want to be able to draw 50 percent local,
4 50 percent connecting.

5 Q And you don't have that here?

6 A We've never been able to accomplish
7 that.

8 Q So is it the conclusion of these
9 consulting and marketing people that it will be difficult to
10 attract other airlines to the Cincinnati airport if Delta
11 leaves?

12 A No. I think we can get some, but what
13 you're going to end up with probably is the same as cities
14 the size of Columbus and Indianapolis. You'll probably have
15 carriers serving probably -- maybe the top 20 markets out of
16 Cincinnati. And then what you'll have is probably commuter
17 or regional air service to the various hubs of the other
18 airlines.

19 Q And what are the other hubs of the other
20 airlines just generally?

21 A You talk about American.

22 Q Yes.

23 A You talk about Northwest, you talk about
24 continental, you talk about United. Those are the ones that

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1 Q Do you remember what the main subjects
2 were that were brought up during the course of this third
3 negotiation session?

4 A No.

5 Q Did the airport board have a goal when
6 it went into those three negotiation sessions as to where it
7 wanted to end up at the end of those sessions?

8 MR. MARTIN: Note my objection. There's
9 attorney/client issues involved.

10 Q You can answer, sir.

11 A I think we wanted it settled.

12 Q What was it that you wanted at the end
13 of the day in connection with the settlement? Was it Delta
14 still at the airport? I mean, I'm looking for a general
15 goal that you had when you went into the negotiations as to
16 where you wanted to come out at the end?

17 A I think our primary function is trying
18 to get the best possible air service we could get for the
19 community. So with Delta staying would have provided that.

20 Q So was that your main goal, to keep
21 Delta here at the Cincinnati airport when you entered into
22 those negotiation sessions?

23 A I think we kind of wanted it settled,
24 either to keep Delta there or be able to get going and

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1 trying to come up with some other folks to come in. The
2 condition of the airline industry today, it's very difficult
3 to get anybody to come into your city anyway let alone with
4 fuel cost and the rest of it. So we would have been sitting
5 here with a rather large airport devoid of service.

6 Q Was your principal goal then to keep
7 Delta here and then a secondary goal if Delta left to find
8 some other people to take its place? Is that a fair --

9 A Well, yeah, that's probably close to it.

10 Q When was it that KCAB hired the
11 consultant that you mentioned previously and -- I think you
12 said marketing people to look for a replacement for Delta at
13 the airport?

14 A We didn't go out and request
15 replacements for Delta. We went out and asked for people
16 who wanted to additionally serve the market.

17 Q Okay.

18 A We've been doing that for probably 15
19 years.

20 Q When Delta filed bankruptcy did that
21 cause you to press harder on trying to find other airlines
22 to additionally serve the market as you called it?

23 A We probably put on somewhat more effort,
24 as you could tell, 60 carriers, conversations with that

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1 many, different ones at different times, but a total of 60
2 meetings.

3 Q Since the settlement was signed about a
4 month ago -- we signed about a month ago, correct?

5 A Uh-huh.

6 Q We're talking about Exhibit 7, right?

7 A Right.

8 Q Have you continued -- and when I say
9 you, I'm talking about the airport board -- to look for
10 other carriers to additionally serve the market?

11 A Judy Ingram who's our director of
12 marketing.

13 THE COURT REPORTER: I'm sorry. Say
14 that again.

15 A Judy Ingram, I-N-G-R-A-M, whose our
16 director of marketing, was in a conference probably after we
17 signed -- that was signed by the board. Talking to carriers
18 since then. And we got another one coming up, I think, in
19 three months which I'll go with her.

20 Q In connection with reaching the
21 settlement agreement which is Exhibit 7, did it come to your
22 personal attention that there were certain Kentucky statutes
23 that governed the manner in which payments were to be made
24 on special facilities bonds like the Kenton County bonds?

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1 have played a role in negotiating that. As you think about
2 it --

3 A No.

4 Q -- did the bond trustee have anything to
5 do with negotiating the new lease?

6 A No.

7 Q And the bond trustee didn't have
8 anything to do with negotiations of the new M and O
9 agreement, bulk storage, facilities lease or airport use
10 agreement; isn't that right?

11 A That's correct.

12 Q What role did the bond trustee play in
13 negotiating the new Delta note?

14 A You'd have to ask them.

15 Q You don't know personally about that?

16 A No, I do not.

17 Q Now, let's say that the rejection motion
18 is granted and the settlement agreement is not approved by
19 the bankruptcy court. Do you understand --

20 A Uh-huh.

21 Q -- that situation. Under that scenario
22 if Delta left the airport completely because the settlement
23 wasn't approved and because its lease was rejected, what
24 would be the obligation of KCAB in connection with trying to

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1 relet those facilities that Delta no longer is occupying.

2 A Well, I think what we do is fill up the
3 other areas first. And if we had enough additional interest
4 in that -- in the operation out there, we'd go ahead and put
5 some over in B. But the trouble with B is it's so massive
6 it's very difficult to lease just a portion of it and then
7 pay all the M and O and everything else on it. Or not pay
8 the M and O, but do the M and O and everything else on it.

9 Q Terminal B is what the bonds financed,
10 correct?

11 MR. MARTIN: Objection.

12 A Correct.

13 Q Correct?

14 A Correct.

15 Q Okay.

16 A You had the same thing with Pittsburgh.
17 When U.S. Air left they cut down -- they shut down a portion
18 of the building. They kept a portion where they had a lot
19 of concessions and so forth. That portion is open and I
20 think those are things that we'd have to weigh and take a
21 look at so we could financially come out the best we could.

22 Q So you would say you'd fill up the other
23 areas first. Those other areas you're talking about are
24 areas that were already constructed at the time that the

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1 1992 bond issue occurred, right?

2 A Yes, sir.

3 Q And rental payments that will be made by
4 whoever would be occupying those other areas, that is, other
5 than Terminal B?

6 A Uh-huh.

7 Q Those payments are going directly to
8 KCAB, right?

9 A Right.

10 Q And you wouldn't feel any obligation to
11 have any of those payments made to the bondholders, right?

12 A Now, you've got the reletting and all
13 those kind of things, but I wouldn't think so because those
14 are our facilities.

15 Q Do you believe that you would have an
16 obligation to attempt to relet Terminal B, that is, the
17 terminal that was constructed with proceeds from the bond
18 issue?

19 A We would -- if something would happen
20 with Delta, we'd love to have someone come in here and rehub
21 this city, but the size of the city, as I mentioned earlier
22 today, there's just no way somebody's going to come in with
23 this small an origin/destination passenger and rehub it.

24 Q Do you believe --

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1 A No. I told you -- I mentioned earlier
2 that the only service we've gotten is one flight a day to
3 Dulles Airport, one flight a day to Denver. And American is
4 going to put on four to New York starting April 10th, small
5 regional jets. All these services is small regional jets,
6 none of the larger aircraft.

7 Q Of course, as we sit here today, Delta
8 is using the airport and Terminal B, correct?

9 A Yes, sir.

10 Q Now, the scenarios that you've presented
11 to these other airlines, have they been in the context of
12 Delta no longer being at the airport and asking them whether
13 or not they would want to use the facilities at the
14 Cincinnati airport that are presently being used by Delta?

15 A Well, I think every person that you talk
16 to they want to know what Delta's condition is, where Delta
17 is going to go. We don't know from that standpoint. And
18 talking to them, you ask them about service and they're
19 saying the same thing. If Delta pulls the hub out, what
20 they'll probably do is maintain service to probably the 20
21 largest cities.

22 Q Who, Delta?

23 A Delta probably will.

24 Q Out of Cincinnati?

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1 A Just to keep the peace in the market.
2 That's a possibility they would do that.

3 Q Out of Cincinnati?

4 A Yeah. And then the other carriers would
5 take a look at where they're providing service to and if
6 they see an alternate, someplace where they can fly to and
7 make money on an origin/destination basis that's what
8 they'll do.

9 Q Now I understand what you all have done.
10 So let me ask it this way. In approaching these other
11 airlines about using the facilities here at Cincinnati, have
12 you done so in the context of Delta leaving and presenting
13 them with the possibility of having the complete use of
14 Terminal B as a hub or the gates of Terminal B that were
15 paid for with the proceeds of the bonds?

16 A No.

17 Q So you don't know whether or not other
18 airlines might be interested in using Terminal B as a hub or
19 used as a destination place, correct?

20 A I can just tell you my background in
21 business does not dictate that anybody would come into a
22 market this small and put a major hub into it. They just
23 wouldn't do it, especially not 450 flights a day that serve
24 120 markets. And that's what we've got, you know, that's

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1 more than -- we serve more markets than LaGuardia, more
2 markets than Kennedy.

3 Q Let's give a situation. What if the
4 settlement agreement is not approved and the lease is
5 rejected. And after that is all done and Delta comes back
6 to you after they emerge from Chapter 11 and they say, Look,
7 we want to come back to Terminal B and continue to use it as
8 a hub, would you be interested in having Delta come back in
9 those circumstances and use your facilities as a hub?

10 A I think we'd like to see anybody come
11 back and use it. And I think, once again, that's a question
12 for legal, whether if they can do it, how they can do it and
13 what their responsibilities would be.

14 Q And if Delta said we don't want to pay
15 any lease payments, we just want to pay maintenance for the
16 facilities, would KCAB be interested in leasing to Delta
17 under those circumstances where the lease was rejected in
18 the first instance and the settlement agreement has not been
19 approved, would they be interested in leasing to Delta at
20 basically no rent?

21 A We have a use agreement which -- it's
22 involved with -- it's made of a number of legacy carriers.
23 And under that use agreement we're not allowed to lease
24 property to anyone whose not paying the actual going price.

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